

# Raising Capital from Investors

The SEC's Resources  
September 15, 2022

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U.S. Securities and Exchange Commission

**Office of the Advocate for  
Small Business Capital Formation**

# Roadmap

-  INTRODUCTION TO THE SEC AND OUR OFFICE
-  DOES THE SEC REGULATE PRIVATE COMPANIES?
-  EMPOWERING ENTREPRENEURS TO OVERCOME BARRIERS





# INTRODUCTION TO THE SEC AND OUR OFFICE



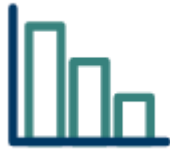


# U.S. Securities and Exchange Commission

## Three-part Mission



Protect investors



Maintain fair, orderly and efficient markets



Facilitate capital formation





# Office of the Advocate for Small Business Capital Formation



**Mission:** Champion pragmatic solutions so small businesses—from startups to smaller public companies—and their investors can build great companies together using our capital markets.



**Special Focus:** Identify and address unique capital raising challenges faced by minority-owned, women-owned, rural, and natural disaster-affected small businesses and their investors.





# Office of the Advocate for Small Business Capital Formation



## How?

- Education and outreach
- Review rules and regulations
- Recommend policy changes to Congress and the Commission





# WHAT DOES THE SEC HAVE TO DO WITH MY PRIVATE COMPANY?





The SEC regulates the offer and sale of all securities, including those offered and sold by private companies.



Under the federal securities laws, every offer and sale of securities, even if to just one person, must either be registered with the SEC or conducted under an exemption from registration.



This is true for companies of all sizes, private and public alike, and includes sales made to anyone, including friends, family, angel investors, and venture capital funds.





# What is a Security?

Federal securities laws broadly define the term “security,” capturing many different forms of investment interests.

Some types of securities that startups often issue include:



Stock



Membership  
Interest



Stock  
Option



Restricted  
Stock



Convertible  
Instruments



Debt

Other early-stage capital raising options may not involve a security, such as federal grants, donations, and rewards or pre-purchases of a product.

# How do I know if I'm engaging in an offer of securities?

The Commission has stated that the publication of information and publicity efforts made before a proposed financing that conditions the public mind or arouses public interest in the issuer or its securities is an offer. Depending on the facts and circumstances, any of the following could be considered an offer of securities:



Calling a friend to  
discuss your  
company's fundraising



Social media post  
about the company  
and specific  
investment  
opportunities



Statements made by  
the CEO about a  
future capital raise  
during an interview  
about the company



# EMPOWERING ENTREPRENEURS TO OVERCOME BARRIERS





# Resources and Tools

[www.sec.gov/capitalraising](https://www.sec.gov/capitalraising)



Explore SEC resources to help equip small businesses, from startup to small cap, and their investors with the tools needed to navigate capital raising.

## Getting Started: Understanding the Fundamentals



### Navigate Your Options

Explore what regulatory pathways you could use to raise capital from investors.



### Glossary of Terms

Cut through the jargon and learn the language of capital raising.



### Building Blocks

Explore the fundamentals of capital raising.



### Capital Raising Video Gallery

Check out these informational videos on the basics of capital raising.



### Additional Resources

Find more tools for small businesses and their investors from the SEC and other agencies.





# Resources and Tools

[www.sec.gov/capitalraising](http://www.sec.gov/capitalraising)



## Navigating Your Options

When raising capital, a business may not offer or sell [securities](#) unless the offering has been registered with the SEC or falls within an exemption from registration. Each exemption has specific requirements that a company must meet.

This interactive tool can help you navigate the many regulatory pathways to raise capital, based on the criteria that matter most to you. While this tool does not provide legal advice, it can help you better understand your options so that you make informed decisions. Let's get started!

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### Does your business already exist?

Have you formed your business under applicable state or territorial law and finalized organizational documents (such as bylaws or operating agreements)?



Yes



No



### Fund(amental)s

Whether you are looking to a fund for financing or as an investment opportunity or you are forming your own fund, a familiarity with these commonly used terms will help guide your way.

### 3(c)(1) Fund

A 3(c)(1) fund is a [pooled investment vehicle](#) that is excluded from the definition of *investment company* in the *Investment Company Act* because it has no more than 100 beneficial owners (or, in the case of a *qualifying venture capital fund*, 250 beneficial owners) and otherwise meets criteria outlined in Section 3(c)(1) of the *Investment Company Act*.





# Resources and Tools

[www.sec.gov/capitalraising](http://www.sec.gov/capitalraising)



Explore the fundamentals of capital raising with the Office of the Advocate for Small Business Capital Formation.

## Getting Ready to Raise Capital



How do I know when I am ready to raise capital from investors?



What different types of securities are issued to startup investors?



What are the differences in friends and family, angel investors, and venture capital funds?

## Early-Stage Capital Raising



What pathways are available to raise capital from investors?



What is the role of accredited investors?



What is general solicitation?

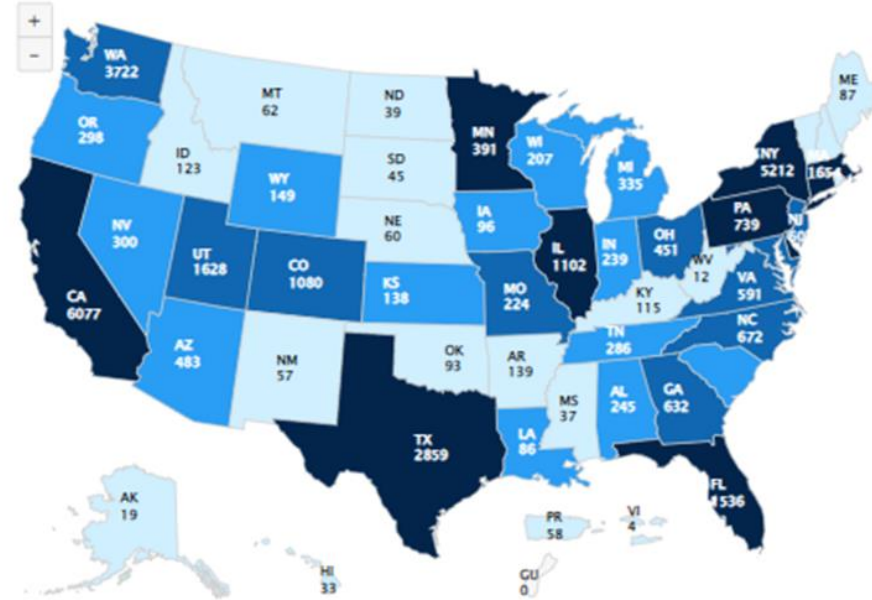
## Capital Trends



Mapping Investment in America: Where are Companies Raising Capital?

Methodology

Regulation D



# ENGAGE WITH US



[smallbusiness@sec.gov](mailto:smallbusiness@sec.gov)



[www.sec.gov/oasb](http://www.sec.gov/oasb)



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[#SECSmallBiz](https://twitter.com/SECGOV)





ANNUAL REPORT FOR FISCAL YEAR 2021

## Office of the Advocate for Small Business Capital Formation

U.S. SECURITIES AND EXCHANGE COMMISSION

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<https://www.sec.gov/oasb>



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